

POLICY REVIEW COMMITTEE  
MEETING  
ON  
NICARAGUA

*noted by DCI*  
26 JAN 1979

**State Dept. review completed**

FRIDAY  
26 JANUARY 1979  
1530  
WHITE HOUSE SITUATION ROOM

Attached is the background material for the 1530 PRC on Nicaragua.

Tab A	Talking Points
Tab B	ORPA Memorandum
Tab C	State paper: "Future Policy Toward Nicaragua"

There is no formal agenda other than to cover the State paper.

25X1A  ORPA/LA, will accompany you to the meeting. If, after reviewing this material, you want to talk with John prior to the meeting please advise.

(Note: Bob Bowie has directed preparation of a page size area map delineating those countries that are pro- or anti-Somoza. John will have copies of that map and extra copies of Tab B available at the meeting.)

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25 January 1979

## Nicaragua in the Wake of Mediation

- I. Somoza's chances of lasting until 1981 have improved to better than even. He would like to forestall US disassociation, but is prepared for it.
  - A. The National Guard has grown from 8,200 to roughly 11,000 and is regularly defeating the FSLN in small engagements.
  - B. The FSLN appears intimidated and further divided.
    1. Planning for longer term struggle and focusing on lower risk hit and run targets.
    2. Still capable of spectacular operations.
    3. Foreign support dropped off during mediation.
      - a. Panama and Venezuela approaching limits of material aid, but will still soon increase anti-Somoza activities.
      - b. When Perez leaves office in March, FSLN may appeal more to Cuba, but Castro's support should remain cautious until FSLN proves itself.
    4. Quick turnaround in military balance unlikely, but with training and recruitment over time, FSLN should become more formidable.
  - C. The political opposition has been weakened during the mediation and is in a rebuilding stage.
    1. FAO at a standstill and Patriotic Front shows no immediate promise of greater success.
    2. Opposition still counting on external forces or some unforeseeable spark to do its work.
  - D. Somoza can rely on continued support at home (Liberal Party and National Guard) and from nearby Guatemala, El Salvador, and Honduras.
    1. This would likely be undermined only by major violence, heavy international pressure, and severe economic dislocation.
    2. Central American military governments may seriously question US disassociation from Somoza as contributing to regional destabilization.

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25 January 1979

MEMORANDUM

SUBJECT: Nicaragua in the Wake of Mediation

25X1 The Sandinistas, despite having developed one of the largest and best-armed guerrilla movements in the hemisphere since Castro's followers gained power in Cuba, have been forced into a scaled down posture. Their substantial deficiencies vis-a-vis the Nicaraguan Guard will probably limit them to hit-and-run raids over the short term at least. Their capability for spectacular operations is by no means gone, but their current aim is to whittle away at Somoza's support. With time to train and gain familiarity with their recently acquired weapons, the Sandinistas will pose a more formidable threat. [REDACTED]

25X1 Also more formidable, however, is their principal target, President Somoza. Even presuming outside support for the Sandinistas approximating the level of the last three months, Somoza's chances to last until his term ends in 1981 have improved to better than even. His Guard has strengthened from 8,000 to perhaps 11,000 men, and their demonstrated military superiority has helped raise Somoza's confidence to the point where he is prepared for limited disassociation from the United States. [REDACTED]

Sandinistas: Reassessing Strategy

The Sandinistas are still reassessing their policy, but none of the factions now assumes that Somoza can be quickly overthrown. The bravado boasts and threats by their commandantes during and after the September offensive have faded; recent public statements have implied that it will be a long-term struggle. Sandinista cohesion and coordination are also being called into question by the recent appearance of off-shoot organizations. Although guerrilla hit-and-run operations are increasing, the Sandinistas clearly are not targeting the most advantageous--but more difficult--objectives.

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Only a few storehouses and factories have been attacked; the coffee and cotton harvests that will bring Somoza critically needed foreign exchange are proceeding relatively normally. Some of the Sandinista operations may be training exercises to build confidence and expertise. But in skirmishes with Guard units in rural areas--even assuming inflated Guard body counts--the Sandinistas are getting badly bloodied despite their significantly improved weapons. Seeing the high cost of this tactic, the guerrillas may increasingly turn to lower risk assassinations of individual Guardsmen.

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Sandinista inaction on the anniversary of opposition martyr Chamorro's death earlier this month was due to the intimidating, pervasive military presence in the capital that day. Successfully maintaining a business-as-usual atmosphere in Managua has been a key to Somoza's retention of control. The generally quiet passing of the anniversary was a significant psychological victory for the government, although not necessarily a lasting defeat for the guerrillas. The anti-Somoza population has no other heroes to cheer and will take heart whenever the Sandinistas make a move. A spectacular Sandinista act--perhaps involving aircraft, which the guerrillas are trying to acquire--would at least stem the tide that is presently flowing strongly against them. The odds, however, are against a quick turnaround.

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#### Other Opposition

Somoza's opponents are generally in a rebuilding phase. The stalemate in the mediation may halt the disintegration of the umbrella Broad Opposition Front, but this group, never very strong, has been substantially weakened by its lack of success. The emerging National Patriotic Front promises to be a more leftist incarnation, but it also will include many of the same groups that have proved too disunited and dissimilar to negotiate with Somoza and too weak to overthrow him. The opposition has tried strikes and

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civil insurrection to no avail. Moreover, the anti-Somo-  
cistas have now learned definitively the answer to their  
question about whether the Guard would kill fellow Nica-  
raguans. That answer may feed festering resentment, but it  
25X1 also provides pause for Somoza's enemies. [REDACTED]

Domestic opposition groups, ranging from the anti-  
Somoza business community to the Sandinista guerrillas, have  
all exhibited the same common weaknesses. They have relied  
for a solution upon an external actor--be it the United  
States, Cuba, Panama, or Venezuela--Or have waited--so far  
in vain--for another unplanned but galvanizing spark like  
the Chamorro assassination. Characteristically, the recon-  
stituted Group of Twelve, an organization of prominent,  
leftist-influenced professionals that for a while played a  
leading role in the opposition coalition, is embarking on a  
hemispheric tour to try to drum up support--a recognition  
that the domestic opposition is too weak to do it on its  
own. [REDACTED]

#### External Actors

Foreign support and resupply of the Sandinistas re-  
cently dropped off--partly due to the possibility of a  
fruitful mediation--but it has not halted. [REDACTED]

25X1 [REDACTED] While  
precise figures are lacking, it is reasonable to assume that  
foreign assistance has provided uniforms, automatic weapons,  
mortars, rocket launchers, and some limited training for  
about 500 of the Sandinistas' roughly 2,000-man armed force.

25X1 [REDACTED]

25X1 [REDACTED]

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If only by default, Cuba's role will grow more important later this year. After Perez leaves office, the guerrillas will be more prone to look to Castro, who throughout has counseled mobilization for the long-term struggle and has sought to build support apparats for the Sandinistas in third countries. Cuban training is more sophisticated and valuable than what the Panamanians can supply. But while

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Castro has supplied arms to the Sandinistas and may continue to do so, we see no reason for him to abandon his generally cautious stance so long as the Sandinistas fail to pass his litmus test for revolutionary movements: demonstrated capability to take on Somoza's troops and some reasonable prospect of gaining power. [REDACTED]

Prospects

Sandinista fortunes over the short term are not promising, lacking a spark to rekindle mass support against Somoza. At the moment, guerrilla leaders seem to be hoping rather than planning for such an event. [REDACTED]

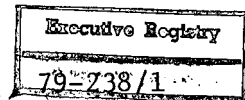
In the meantime, Somoza is fully prepared not only for the guerrillas but also for diplomatic assaults. He is ready, for example, for a US withdrawal of official personnel even though he continues his skillful maneuvers to head off such action. He carefully holds open the prospect of further negotiations, but at this point Somoza assumes he is in a no-win situation with the United States. His offers of reform, if they ever were more than a tactical gambit, are clearly only delaying actions. [REDACTED]

With Somoza braced, US withdrawals from Nicaragua are not likely to unsettle him. Part of his confidence stems from the fact that he has convinced his local backers and regional neighbors of his staying power. He has gained financial and psychological support--and probably even pledges of military aid under certain circumstances. For the short term, it would require not only deft diplomacy but heavy international pressure--censure and sanctions--to convince Somoza's supporters that they should reconsider. Even then, substantial renewed violence would probably be necessary to jolt his backers; that more than anything prompted their rethinking last September. As long as Somoza looks like a winner--and he will, as long as he can maintain even an uneasy peace--his party, the Guard, and the neighboring military governments will predicate their moves on the assumption that he will be in power for two more years.

25X1 [REDACTED]

C

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506



CONFIDENTIAL  
SECRET ATTACHMENT

January 24, 1979

MEMORANDUM FOR

THE VICE PRESIDENT  
THE SECRETARY OF DEFENSE  
THE CHAIRMAN, JOINT CHIEFS OF STAFF  
THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Revised Paper for Nicaragua PRC Meeting(U)

Attached is the State Department's revised paper "Future Policy Toward Nicaragua" for this meeting. (C)

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Christine Dodson  
Staff Secretary

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CONFIDENTIAL  
Declassify on January 25, 1980  
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**SECRET**Future Policy Toward Nicaragua

Issue: In view of the impasse reached in the mediation effort, what should be our objectives in our relations with Nicaragua and how should we adjust our policy toward Nicaragua to accomplish these objectives?

This memorandum sets forth the background, and discusses the various aspects, of this issue. It then reviews options for dealing with the issue and, finally, considers appropriate means for implementing the options in question.

I. BACKGROUND AND DISCUSSION

On December 20, after an unsuccessful effort to get the Nicaraguan parties to bargain constructively on a plebiscite and its consequences, the Negotiating Group (NG) presented their own plan to the two sides.

The essential elements of NG plan were to hold a plebiscite, under conditions which assured its fairness and credibility, on the single question of Somoza's continuation in power. The conditions included an international plebiscite authority (IPA) to organize and conduct the plebiscite with appropriate PLN and FAO participation; control of the printing, distribution and counting of the ballots; and changes in past patterns of voting (with regard to registration, number and location of voting places, and presence of local officials at the polls) to convince the skeptical voter that this election represented a break with previous election practices. If Somoza won the election, he

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would stay; if he lost he would resign and make way for a transitional government until 1981.

The FAO accepted the plan without reservation. Somoza on December 26 submitted a counter-proposal which with respect to the plebiscite called for a national authority (NPA) to run the plebiscite, with international observers, and otherwise set aside the special conditions introduced by the NG to build voter confidence in the impartiality of the process.

On January 12 the NG responded to the counter-proposal accepting the NPA concept but retaining the key elements of international supervision and the special conditions. Somoza on January 18 again declined to accept the NG approach, holding firm to the PLN counter-proposal which the FAO will not accept and the mediators cannot endorse because it does not contain the necessary safeguards against vote manipulation.

The deadlock produced by Somoza's refusal to accept conditions which will assure an open and honest plebiscite cannot, in our judgment, be broken under present circumstances. Further attempts at negotiation by the NG would not be productive because (1) it is doubtful that Somoza would agree to any process that he could not manipulate; (2) the FAO, having accepted the NG plan, is unwilling to consider

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further concessions which would provoke further defections from its ranks; and, (3) under these circumstances the NG members do not want to push a negotiation that would only serve to weaken the position of the moderate forces.

The consequences of this impasse are:

--with the peaceful option at least temporarily side-tracked, we can anticipate a situation of increased violence and counter-violence which could prove highly destabilizing in Nicaragua and lead to increased tensions with its neighbors;

--the political turbulence already present in the other Central American countries (i.e. El Salvador and Guatemala) will be accentuated by the internal and external dimension of the Nicaraguan crisis;

--increased danger that the moderate opposition (FAO and its private sector supporters) will disintegrate under the pressure of Somoza and the extreme left; and

--the disappearance of the moderate opposition as an organized force would lead to further polarization and radicalization of the body politic.

In considering the options set forth below these factors should be weighed:

--We put together the mediation and actively encouraged the moderate forces to negotiate with Somoza. These forces are now exposed and look to us for moral support.

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--The FAO and its backers still represent a significant coalition of forces: the three principal elements of the Conservative Party, the major labor organizations, the private sector represented by COSEP, and important elements of the church. Their preference is to maintain themselves as a separate, moderate third force, resisting pressures or blandishments from Somoza or efforts of the far left to have the FAO join a new Patriotic Front.

--It is important for the moderate forces to hold an independent posture for eventual resumption of the mediation effort.

--Our human rights stance will be severely judged in Nicaragua and throughout the hemisphere by how we respond to Somoza's unwillingness to accept a plebiscite held under the fair conditions.

--Political stability in the Central American area is now so fragile and the interdependence of the five republics and Panama so close that turbulence in Nicaragua will have a destabilizing effect throughout the isthmus.

--Renewed violence will place U.S. Government personnel in physical danger.

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**II. OPTIONS**

OPTION A. Join with such countries as Venezuela and Panama in bringing hemispheric and international pressures to bear on Somoza to give up power either through the proposed plebiscite or in another way. (In addition to moves in the OAS for a censure and a break in relations we would maintain relations with the moderates, establish some contact with the non-Marxist elements of the Sandinistas, and disassociate ourselves from the Somoza government including all the disassociation steps in both phases of Option B, but carried further by reducing our representation to the Consul General level and halting cooperation in international fora.)

**PRO.**

--Would show our willingness to work with other democracies to support democratic change in Latin America after having made the best try through the long mediation process.

--Only such strong steps have a chance to convince Somoza that we will not stand by while his family runs Nicaragua in a repressive way indefinitely.

--Reduces the likelihood that our personnel will be a target for the opposition.

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--Shows other repressive governments throughout the world that the US not only cares about the human rights situation but is willing and able to take strong action.

--Would help the moderate opposition hold together.

CON.

--Might cause an increase in violence and in international tensions in the area, resulting in fighting extending into Costa Rica.

--Might cause the National Guard to believe it would be disbanded in an eventual solution and thus make it support Somoza more strongly.

--Would precipitate criticism from Congressional elements favoring Somoza or opposing intervention.

--Might polarize the OAS with non-democratic governments forming a bloc which would affect our interests on a wide range of issues.

--While contact with some Sandinistas might give them an alternative to Cuban support, working with a group that is basically Marxist would call into question US support for open societies and might increase substantially the likelihood of a Marxist take-over in Nicaragua and perhaps elsewhere in Central America.

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OPTION B. Distance ourselves and adopt a correct but not supportive relationship to Somoza, through a combination of unilateral and multilateral actions as described below, and thereby serve to encourage a broadly based centrist opposition group to maintain cohesion and independence.

PRO.

--Signal to Somoza that we mean what we have been telling him about the need for a peaceful, negotiated solution. Once he realizes this, he may decide to negotiate in good faith.

--Avoid unnecessary danger to our personnel.

--Maintain our credibility with the Nicaraguan people regarding our human rights policy and encourage the FAO and its supporters to hold themselves apart from the communist-influenced Patriotic Front, while demonstrating to elements of the Liberal Party and the Guardia Nacional that we intend to pursue a negotiated settlement which will involve them in any transition government.

--Show the other Central American countries that we are concerned over stability in the area and the solution of problems through negotiated, peaceful means and intend to use our influence toward that end.

--Be well received by democratic governments of the hemisphere and give us leverage with those inclined to support the Sandinista groups.

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--Would be responsive to the view, that since Somoza is not prepared to permit a fair, internationally-supervised plebiscite, the United States should not render its scarce resources to his regime or be otherwise involved with it.

CON.

--Effort to halt increasing polarization may not work and might contribute to stepped-up violence by extremist elements.

--Precipitate Congressional criticism by those elements favoring Somoza.

OPTION C. Open bilateral discussions with the Somoza Government either (1) to reduce its objections to the plebiscite so mediation could resume, and/or (2) to work out political changes designed to improve the human rights situation and promise a more democratic outcome in the 1981 elections. (In such negotiations we might try to compromise on some plebiscite issues, for example by working out a registration system and modifying other conditions such as voting abroad to which Somoza objects. The second area of changes might include judicial reform, changes in the command structure of the Guard, eliminating required contributions to Somoza's party by government employees, and legalizing and protecting new political parties. However, even substantial progress in one or even both of these areas will not satisfy the moderate opposition and reverse the polarization.)

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in violence. The opposition is committed to and unified by opposition to the Somoza dynasty. Experience of over 40 years during which the Somozas have made many "concessions" without weakening underlying control has convinced the opposition that only solutions in which Somoza departs will provide real change.)

PRO.

--Working with Somoza may attenuate the repressive character of the regime and thereby reduce public support for the Sandinistas.

--Seeking to obtain human rights and political improvements from Somoza through ongoing negotiations with the regime, rather than through disassociation, is more in keeping with our approaches to similar regimes in other countries.

--Continuing to work with Somoza will assure continued GON cooperation in the UN, OAS and other international fora and will avoid potential problems for our investment and trade.

--Pressing for a plebiscite is consistent with the US position of fostering democratic procedures and not taking sides in elections.

CON.

--The US would be severely criticized by democratic governments and private groups for abandoning the OAS-sponsored mediation and making a bilateral deal which

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favors Somoza. The more firmly the US associates with Somoza the more Cuba is likely to support the Sandinistas, perhaps joining with such countries as Venezuela and Panama in doing so.

--Violence would still increase and US association with Somoza would raise substantially the risk for our official personnel.

--The moderate opposition will not accept Somoza's conditions for a plebiscite and can be expected to boycott such a vote, thus assuring Somoza's victory and more closely identifying the USG with continuation of the Somoza dynasty. Increasingly the moderates will be forced to support the Sandinistas as the only alternative to Somoza. (Recent feelers indicate that Somoza is only prepared to make very small concessions in the plebiscite--a reduced registration period, flexibility on wording of the ballot and changes in urban but not rural districts; he continues to resist changes that would impede his control mechanisms.)

--As violence continues and the death toll rises, continued US association with Somoza would be seen by many in the Congress and the public as a fundamental contradiction in our human rights policy, especially in the face of the highly condemnatory IAHRC report.

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OPTION D. Suspend mediation efforts and return to business-as-usual with the Somoza Government. (This option would be based on the premise that Somoza could maintain effective control until the end of his term (1981) with no major increase in terrorist violence or government repression.)

PRO.

--It would not associate us with Somoza as much concluding a bilateral deal under Option C.

--Many of our actions would be in support of the economy and could be expected, in conjunction with the excellent harvest this year, to reverse a downward spiral of economic conditions in Nicaragua.

--Support for the National Guard, over the short run, might increase the regime's ability to maintain order and deter violence whether internal or by external forces.

--Congressional criticism of pressure on Somoza would be muted.

CON.

--Resumption of normal relations would be perceived by Nicaraguans and in the hemisphere as destroying the credibility of our efforts in the mediation, and would reinforce the view that the USG has in reality merely been seeking to buy time for Somoza.

--This course would be contrary to policy decisions on disengagement already made, communicated to Somoza, and signaled on the Hill and in the international press.

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--In light of the events of last September and the IAHRC human rights report on Nicaragua, the credibility of our human rights policy would suffer severely worldwide.

--We would be creating the most favorable conditions for the perpetuation of Somoza, and the extension of his power beyond 1981.

--We will have weakened and abandoned the opposition coalition that we encouraged into action during the mediation; its members may thereby be further exposed to reprisals by the Government.

--Due to the likelihood of increased violence and targetting of the USG personnel under this option, we would be placing official Americans in Nicaragua in physical danger.

--Members of Congress familiar with our mediation efforts will be strongly critical of our lack of resolve, employing against us many of the above-listed points (although friends of Somoza would be appeased).

### III. IMPLEMENTATION

Each option presents a range of implementing actions which need to be carefully orchestrated as to timing and impact.

OPTION A: We could undertake a series of bilateral and multilateral steps to pressure Somoza and signal

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unequivocal support for the democratic opposition. We would not break diplomatic relations until we had made maximum efforts in the OAS to obtain an OAS condemnatory resolution calling on all members to break. In conjunction with Panama and Venezuela, we would establish contact with at least some elements of the Sandinistas like Eden Pastora. In addition, we would terminate all cooperative economic and military relationships and oppose all IFI loans to Nicaragua, as under Option B. In summary, we would:

1. Convoke an MFM and seek an OAS condemnatory resolution calling for a break in relations.
2. Suspend diplomatic relations.
3. Support Panama and Venezuela in their efforts to effect an early change in the GON.
4. Establish contact with the non-Marxist elements of the Sandinista opposition.
5. Undertake all steps in both phases of Option B.

OPTION B. Under this option it would be possible to carry out a number of bilateral and multilateral steps designed to pressure Somoza and signal support for the moderate opposition. These steps should be taken in two phases. Implementation of first phase measures should be taken immediately following the Negotiating Group's answer to the January 18 note from Somoza's negotiators. The second

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phase measures would follow contemplated OAS action on the human rights and mediation reports in a reconvened Meeting of Foreign Ministers.

The first phase measures would include:

1. Terminate all military assistance and withdraw the MILGP.

2. With respect to AID assistance:

--do not follow through with the two loans signed (but never implemented) last August,

--suspend on-going loans (although we would disburse the \$7.0 million now owed the CON),

--remove the AID mission.

3. Oppose all loans to Nicaragua in the IFI's.
4. Withdraw all Peace Corps personnel.
5. Deny Nicaragua additional meat allocations during 1979.
6. Proceed to reduce non-essential official personnel.
7. In a reconvened 17th meeting of OAS Foreign Ministers consider the report of the Inter-American Human Rights Committee on Nicaragua and the report of the Mediation Group and obtain as strong a censure of the Somoza regime as possible.

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8. Continue to strongly urge governments likely to sell arms to Somoza or to provide weapons to the Sandinistas not to do so in order to limit escalation of the violence in Nicaragua.

A second phase of measures, to be considered after the meeting of Foreign Ministers and after we see Somoza's reaction and public response to the first phase, might include:

9. Definitive termination of the AID program by deobligation of funds.
10. Deny OPIC programs and facilities.
11. Deny EX-IM programs and facilities.
12. Bring US Ambassador home for consultations, in light of specific events and for appropriate brief periods of time, to reinforce the message of concern and disapproval.

OPTION C: Under this option we would, in a measured fashion, move cautiously toward renewal or continuation of a full range of collaboration and relations. Steps in this direction would be carefully timed to relate to clear reforms and improvements in the human rights situation in Nicaragua and to significant concessions that Somoza may be induced to make on plebiscite issues. In summary:

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1. Early resumption of payment on AID loans.
2. Later implementation of the two AID loans signed last August.
3. Release of military equipment retained by the MILGP in recent months; reopening of access to training in the C.Z. and Continental US schools.
4. Handling of GON applications in EX-IM, OPIC, and IFI's on their merits.

OPTION D: Under this option we would move towards conducting the full range of relations on a business-as-usual basis, without fanfare and perhaps on a graduated basis in order to reduce visibility and minimize adverse reaction. The risk of the Embassy becoming a target by the extreme left would substantially increase under this option, making heightened security measures necessary. In summary:

--Undertake all actions listed under Option C, but unrelated to specific steps to be taken by Somoza.

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